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AZ CORP COMMISSION
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ORIGINAL

IN THE MATTER OF THE APPLICATION OF
EPCOR WATER ARIZONA, INC., AN ARIZONA
CORPORATION, FOR A DETERMINATION OF
THE CURRENT FAIR VALUE OF ITS UTILITY
PLANT AND PROPERTY AND FOR INCREASES
IN ITS RATES AND CHARGES FOR UTILITY
SERVICE BY ITS MOHAVE WATER DISTRICT,
PARADISE VALLEY WATER DISTRICT, SUN
CITY WATER DISTRICT, TUBAC WATER
DISTRICT, AND MOHAVE WASTEWATER
DISTRICT.

DOCKET NO. WS-01303A-14-0010

**STAFF'S NOTICE OF FILING
TESTIMONY SUMMARIES**

The Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission")
hereby files the testimony summaries of Staff witnesses Michael S. Thompson, Mary J. Rimback,
Phan Tsan, Christine L. Payne, John A. Cassidy and Briton Baxter in the above-referenced matter.

RESPECTFULLY SUBMITTED this 11th day of March, 2015.

Arizona Corporation Commission

DOCKETED

MAR 11 2015

DOCKETED BY

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Original and thirteen (13) copies of
the foregoing filed this 11th day of
March, 2015, with:

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MICHAEL S. THOMPSON, P. E.
EXECUTIVE SUMMARY
EPCOR WATER ARIZONA INC.
DOCKET NO. WS-01303A-14-0010

CONCLUSIONS

1. The Arizona Corporation Commission ("ACC" or "Commission") Utilities Division Staff ("Utilities Staff" or "Staff") concludes that the Mohave Water District ("Mohave Water" or "District") water systems, with the exception of Rio Vista Ranches, have adequate production and storage capacity to serve the present customer base and any reasonable growth. Rio Vista Ranches water system has no production or storage facilities, it receives water from an interconnect with Bermuda Water Company.
2. The Arizona Department of Environmental Quality ("ADEQ") Compliance Status Reports ("CSRs") indicate that the District water systems and Bermuda Water Company are currently delivering water that meets water quality standards required by 40 CFR 141 (National Primary Drinking Water Regulations) and Arizona Administrative Code, Title 18, Chapter 4.
3. The District's water system service areas are not located within an Arizona Department of Water Resources ("ADWR") Active Management Area ("AMA").
4. ADWR's Water Provider Compliance Reports, dated June 6, 2014, indicate that the District's water systems are currently in compliance with departmental requirements governing water providers and/or community water systems.
5. According to the Commissions Utilities Division Compliance Section database the District currently has no delinquent Commission compliance items.
6. The District has approved Cross-Connection/Backflow Prevention and Curtailment Tariffs on file with the Commission.
7. The District has ten (10) Best Management Practices ("BMPs") on file with the Commission.
8. The Mohave water system has five (5) inactive wells, listed under Table A, which have been disconnected, capped, and abandoned. Staff concludes that the wells are not used and useful to the District's provision of service.
9. The Camp Mohave water system has one (1) inactive well, listed under Table B, which has been disconnected, capped, and abandoned. Staff concludes that the well is not used and useful to the District's provision of service.
10. The Lake Mohave water system has one (1) inactive well, listed under Table C, which has been disconnected from the water system. Staff concludes that the well is not used and useful to the District's provision of service.
11. The Desert Foothills water system has one (1) inactive well, listed under Table A, which has been disconnected from the water system. Staff concludes that the well is not used and useful to the District's provision of service.

12. On May 2, 2012, the Environmental Protection Agency ("EPA") revised and implemented the Unregulated Contaminant Monitoring Rule 3 ("UCMR3"). The District began sampling for the first sample set of UCRM3 contaminants in August 2014. The second set of samples will be sampled in February 2015. The total cost for testing the samples, as illustrated in Table P, is anticipated to be \$9,240. Staff concludes that the one-time expense of \$9,240 associated with sampling and testing of the UCMR3 contaminants is reasonable and appropriate.
13. The District Post Test Year Investment Projects ("IPs"), listed in Table P, were found to be in-service and used and useful during the plant facilities site inspection on June 24 & 25, 2014. Staff concludes that the costs (\$5,355,826) associated with the installation of the District's IPs, listed in Table P, are reasonable and appropriate.
14. Staff has determined that the District's proposed System Improvement Benefit ("SIB") Mechanism (eligible 5-year infrastructure replacement plan), totaling \$9,884,632, to be reasonable and appropriate. However, no "used and useful" determination of the proposed plant items was made, and no conclusions should be inferred for rate base purposes in the future.

RECOMMENDATIONS

1. Staff recommends an annual water testing expense, for the District, of \$32,262 be used for the purposes of this application.
2. Staff recommends the depreciation rates listed under "Staff's Recommended Rates" in Table N be adopted.
3. Staff has no objections to the continued use of the currently authorized meter and service installation charges, as proposed by the District, and recommends the charges listed under "Staff's Recommendations" in Table O be adopted.
4. Water loss in the Desert Foothills water system was 14.33 percent in 2013, exceeding the 10 percent limit. Staff recommends that the District continue its efforts, via the District's Non Revenue Water Program, to reduce water loss in the Desert Foothills water system to below 10 percent. (See Section C, Paragraph 2 of the report for additional discussion and details).
5. EPCOR Water Arizona, Inc. ("EWAZ" or "Company") filed a proposed change to the Meter Repair and/or Replacement Tariff ("BMP 4.2"). In the proposed change, EWAZ requested that paragraph 3 of the BMP tariff, which refers to the inspection of meters, be modified such that pulling a meter for inspection would no longer be required and therefore be stricken from the tariff. Staff recommends approval of the modification in BMP 4.2, as proposed by EWAZ.
6. Staff recommends that the District file with Docket Control, as a compliance item in this docket and within 90 days of the effective date of a decision in this proceeding, documentation that the installation of a purchased water meter at the Bermuda Water Company and Rio Vista water system interconnect has been completed. Installation of the meter will provide usage figures that would enable the District to determine the Rio Vista water system water loss. Staff further recommends that District begin monitoring water

loss, on a monthly basis, by coordinating the readings of the purchased water meter and the individual customer meters, and reporting the results in its Commission Annual Report going forward.

7. Staff recommends approval of the District's proposed Plant Table I of the SIB Mechanism (eligible 5 year infrastructure improvement projects), submitted as a supplement to the District's application by EWAZ on March 17, 2014, totaling \$9,884,632 as tabulated in Table T. Staff further recommends that SIB Attachments 2A-2E, 3A-3J, 4A-4E, and 5A-5G, 6, 7A-7O be adopted.

JOHN CASSIDY
SUMMARY OF TESTIMONY
EPCOR WATER ARIZONA
DOCKET NO. WS-01303A-14-0010

The direct testimony of Staff witness John A. Cassidy addresses the following issues:

Capital Structure – For four EPCOR Water Arizona, Inc. (“Company”) districts (Mohave Water, Mohave Wastewater, Paradise Valley Water and Sun City Water) in this proceeding, Staff recommends that the Commission adopt a capital structure consisting of 59.76 percent debt and 40.24 percent equity. For the Tubac Water district, Staff recommends that the Commission adopt a capital structure consisting of 58.53 percent debt and 41.47 percent equity.

Cost of Equity – Staff recommends that the Commission adopt a 9.5 percent cost of equity for the Company. Staff’s estimated cost of equity for the Company is based on the 8.9 percent average of its discounted cash flow method (“DCF”) cost of equity methodology estimates for the sample companies of 8.6 percent for the constant-growth DCF model and 9.2 percent for the multi-stage DCF model. Staff’s recommended cost of equity includes an upward economic assessment adjustment of 60 basis points (0.6 percent).

Cost of Debt – Staff recommends that the Commission adopt a 4.3 percent cost of debt for the Mohave Water, Mohave Wastewater, Paradise Valley Water and Sun City Water districts, and a 4.0 percent cost of debt for the Tubac Water district.

Overall Rate of Return – Staff recommends that the Commission adopt a 6.4 percent overall rate of return for the Mohave Water, Mohave Wastewater, Paradise Valley Water and Sun City Water districts, and a 6.2 percent overall rate of return for the Tubac Water district.

Ms. Ahern’s Testimony – The Commission should reject the Company’s proposed 10.7 percent return on equity (“ROE”) for the following reasons:

Ms. Ahern’s primary cost of equity estimation model is the Predictive Risk Premium ModelTM (“PRPMTM”), and PRPMTM derived cost of equity metrics permeate her entire analysis. Cost of equity estimates obtained from the PRPMTM model overstate the market cost of equity; thus, use of PRPMTM derived metrics in Ms. Ahern’s Risk Premium Model using an Adjusted Total Market Approach, Capital Asset Pricing Model (“CAPM”) and Empirical Capital Asset Pricing Model (“ECAPM”) overstates cost of equity estimates obtained from these models, as well. No weight should be given to cost of equity estimates obtained from the PRPMTM model as (i) the critical values input into the model have been hardcoded into the excel file, and (ii) Ms. Ahern makes an invalid assumption concerning the date the common stock of at least five of her nine sample companies initially became publicly traded. In Ms. Ahern’s CAPM and ECAPM models, use of a forecasted risk free rate overstates the cost of equity. In Ms. Ahern’s Risk Premium Model using a Total Market Approach, use of a forecasted ‘Aaa’ corporate bond yield overstates the cost of equity. Ms. Ahern’s ECAPM cost of equity results should be given no weight, as they are overstated by means of an unnecessary and redundant beta adjustment. Ms. Ahern’s proposed 10.7 percent cost of equity is inflated by means of a 44 basis point upward credit risk adjustment and a 30 basis point upward business risk adjustment.

JOHN CASSIDY
SUMMARY OF TESTIMONY
EPCOR WATER ARIZONA
DOCKET NO. WS-01303A-14-0010

The surrebuttal testimony of Staff witness John A. Cassidy addresses the following issues:

Capital Structure – For four of the EPCOR Water Arizona, Inc. (“Company”) districts (Mohave Water, Mohave Wastewater, Paradise Valley Water and Sun City Water) in this proceeding, Staff continues to recommend that the Commission adopt a capital structure mix consisting of 59.76 percent debt and 40.24 percent equity. For the Tubac Water district, Staff continues to recommend that the Commission adopt a capital structure mix consisting of 58.53 percent debt and 41.47 percent equity.

Cost of Equity – Staff continues to recommend that the Commission adopt a 9.5 percent cost of equity for the Company.

Cost of Debt – Staff recommends that the Commission adopt a 4.3 percent cost of debt for the Mohave Water, Mohave Wastewater, Paradise Valley Water and Sun City Water districts, and a 4.0 percent cost of debt for the Tubac Water district.

Overall Rate of Return – Staff continues to recommend that the Commission adopt a 6.4 percent overall rate of return for the Mohave Water, Mohave Wastewater, Paradise Valley Water and Sun City Water districts, and a 6.2 percent overall rate of return for the Tubac Water district.

Ms. Ahern’s Testimony – The Commission should reject the Company’s proposed 10.55 percent return on equity (“ROE”) for the following reasons:

Ms. Ahern’s primary cost of equity estimation model is the Predictive Risk Premium ModelTM (“PRPMTM”), and the PRPMTM derived cost of equity metrics permeate her entire analysis. Cost of equity estimates obtained from the PRPMTM model overstate the market cost of equity; thus, use of PRPMTM derived metrics in Ms. Ahern’s Risk Premium Model using an Adjusted Total Market Approach, Capital Asset Pricing Model (“CAPM”) and Empirical Capital Asset Pricing Model (“ECAPM”) overstate cost of equity estimates obtained from these models, as well. No weight should be given to cost of equity estimates obtained from the PRPMTM model as (i) the critical values input into Ms. Ahern’s model have been hardcoded into the excel file, and (ii) Ms. Ahern makes an invalid assumption concerning the date the common stock of at least five of her nine sample companies initially became publicly traded. In Ms. Ahern’s CAPM and ECAPM models the cost of equity is overstated by use of a forecasted risk free rate. In Ms. Ahern’s Risk Premium Model using a Total Market Approach, the cost of equity is overstated by use of a forecasted ‘Aaa’ corporate bond yield. Ms. Ahern’s ECAPM cost of equity results should be given no weight as they are overstated by means of an unnecessary and redundant beta adjustment. Further, Ms. Ahern’s proposed 10.55 percent cost of equity is inflated by means of both a 24 basis point upward credit risk adjustment and a 30 basis point upward business risk adjustment.

**CHRISTINE L. PAYNE
EXECUTIVE SUMMARY
EPCOR WATER ARIZONA, INC.
DOCKET NO. WS-01303A-14-0010**

EPCOR Water Arizona, Inc. ("EWAZ" or "Company") is an Arizona for-profit Class A public service corporation providing water and wastewater utility service to approximately 44,529 water and 1,448 wastewater service connections during the test year for customers located throughout Arizona for the five districts in this rate case (Mohave Water, Mohave Wastewater, Paradise Valley Water, Sun City Water, and Tubac Water). On March 10, 2014, EWAZ filed a general rate application. EWAZ requests approval of combined annualized revenues of \$33,175,899 for the five districts in this rate application which would represent an 18.91 percent or \$5,272,769 increase in revenue over the test year revenues of \$27,903,130.

For the Mohave Water district, EWAZ proposed a revenue increase of \$1,972,914 or 31.05 percent over adjusted test year revenues of \$6,354,293 to \$8,327,207. The District's proposed revenue increase would produce operating income of \$1,614,211 for a 6.87 percent rate of return on an original cost rate base ("OCRB") of \$23,496,515. Staff recommends a revenue increase of \$1,360,784 or 21.30 percent over Staff's adjusted test year revenues of \$6,389,776 to \$7,750,560. Staff's recommended revenue increase would produce operating income of \$1,431,099 for a 6.40 percent rate of return on a Staff adjusted OCRB of \$22,360,920.

For the Mohave Wastewater District, EWAZ proposed a revenue increase of \$453,638 or 42.96 percent over adjusted test year revenues of \$1,055,839 to \$1,509,477. The District's proposed revenue increase would produce operating income of \$364,459 for a 6.87 percent rate of return on an OCRB of \$5,305,083. Staff recommends a revenue increase of \$298,788 or 28.30 percent over Staff's adjusted test year revenues of \$1,055,839 to \$1,354,626. Staff's recommended revenue increase would produce operating income of \$296,665 for a 6.40 percent rate of return on a Staff adjusted OCRB of \$4,635,387.

For the Paradise Valley Water District, EWAZ proposed a revenue increase of \$841,337 or 8.72 percent over adjusted test year revenues of \$9,648,251 to \$10,489,588. The District's proposed revenue increase would produce an operating income of \$2,705,436 for a 6.87 percent rate of return on an OCRB of \$39,380,442. Staff recommends a revenue decrease of (\$9,824) or -.10 percent under Staff's adjusted test year revenues of \$9,648,251 to \$9,638,427. Staff's recommended revenue decrease would produce operating income of \$2,383,554 for a 6.40 percent rate of return on a Staff adjusted OCRB of \$37,148,991.

For the Sun City Water District, EWAZ proposed a revenue increase of \$1,606,392 or 15.65 percent over adjusted test year revenues of \$10,265,553 to \$11,871,945. The District's proposed revenue increase would produce an operating income of \$1,814,318 for a 6.87 percent rate of return on an OCRB of \$26,409,286. Staff recommends a revenue increase of \$663,681 or 6.45 percent over Staff's adjusted test year revenues of \$10,295,663 to \$10,959,344. Staff's recommended revenue increase would produce operating income of \$1,586,567 for a 6.40 percent rate of return on a Staff adjusted OCRB of \$24,790,106.

For the Tubac Water District, EWAZ proposed a revenue increase of \$398,488 or 68.80 percent over adjusted test year revenues of \$579,194 to \$977,682. The District's proposed revenue

increase would produce an operating income of \$110,454 for a 6.87 percent rate of return on OCRB of \$1,607,775. Staff recommends a revenue increase of \$187,054 or 32.30 percent over Staff's adjusted test year revenues of \$579,194 to \$766,248. Staff's recommended revenue increase would produce operating income of \$89,135 for a 6.20 percent rate of return on a Staff adjusted OCRB of \$1,437,666.

**CHRISTINE L. PAYNE
EXECUTIVE SUMMARY
EPCOR WATER ARIZONA, INC.
DOCKET NO. WS-01303A-14-0010**

The surrebuttal testimony of Christine L. Payne addresses the following issues:

Revenue Requirement – The following table presents Staff's surrebuttal recommended revenue compared to the EPCOR Water Arizona, Inc.'s ("Company") proposed revenue in dollars for each district:

<u>District</u>	Staff's Recommended <u>Revenue</u>	Company's Proposed <u>Revenue</u>	<u>Dollar Difference</u>
Mohave Water	\$ 7,870,575	\$ 8,327,207	\$ 456,632
Mohave Wastewater	\$ 1,402,026	\$ 1,509,477	\$ 107,451
Paradise Valley Water	\$ 9,737,684	\$ 10,489,588	\$ 751,904
Sun City Water	\$ 11,219,958	\$ 11,871,945	\$ 651,987
Tubac Water	\$ 816,004	\$ 977,682	\$ 161,678
Totals	\$ 31,046,247	\$ 33,175,899	\$ 2,129,652

Test Year Operating Income – The following table presents Staff's recommended operating income and the Company's proposed operating income in dollars by district:

<u>District</u>	Staff's Recommended <u>Op. Income</u>	Company's Proposed <u>Op. Income</u>	<u>Difference</u>
Mohave Water	\$ 1,435,784	\$ 1,614,211	\$ 178,427
Mohave Wastewater	\$ 311,241	\$ 364,459	\$ 53,218
Paradise Valley Water	\$ 2,380,067	\$ 2,705,436	\$ 325,369
Sun City Water	\$ 1,640,897	\$ 1,814,318	\$ 173,421
Tubac Water	\$ 83,128	\$ 110,454	\$ 27,326
Totals	\$ 5,851,117	\$ 6,608,878	\$ 757,761

The primary differences in operating income for Staff and the Company relate to corporate allocations. Property taxes and income taxes are conforming as a result of changes in revenues. The Company concurs with Staff's adjusted test year revenues recommended in its direct testimony and has made the proper adjustments in its rebuttal schedules.

**MARY J. RIMBACK
EXECUTIVE SUMMARY
EPCOR WATER ARIZONA, INC.
DOCKET NO. WS-01303A-14-0010**

EPCOR Arizona Water, Inc. ("EWAZ" or "Company") is a certificated Arizona public service corporation that provides water and wastewater in various communities throughout the state. This case includes the districts of Mohave Water, Mohave Wastewater, Paradise Valley Water, Sun City Water, and Tubac Water.

The Company filed an application for a permanent rate increase based upon a test year ending June 30, 2013. The testimony of Ms. Mary J. Rimback herein is to present the Staff recommended rate base valuation and the depreciation and amortization expense for all five districts in the application. Following is a summary of Company proposed and Staff recommended rate bases and depreciation/amortization expense.

Mohave Water

The Company proposes for Mohave Water District, a rate base of \$23,496,515; Staff recommends a rate base \$22,360,920, a decrease of \$1,135,595. The Company proposes depreciation/amortization expense of \$1,331,139, Staff recommends \$1,270,161, a decrease of \$60,978.

Mohave Wastewater

The Company proposes for Mohave Wastewater District, a rate base of \$5,305,083; Staff recommends a rate base \$4,635,387, a decrease of \$669,696. The Company proposes depreciation/amortization expense of \$257,946, Staff recommends \$245,738, a decrease of \$12,208.

Paradise Valley Water

The Company proposes for Paradise Valley Water District, a rate base of \$39,380,442; Staff recommends a rate base \$37,148,991, a decrease of \$2,231,450. The Company proposes depreciation/amortization expense of \$1,608,655, Staff recommends \$1,527,744, a decrease of \$80,911.

Sun City Water

The Company proposes for Sun City Water district, a rate base of \$26,409,286; Staff recommends a rate base \$24,790,106, a decrease of \$1,619,179. The Company proposes depreciation/amortization expense of \$1,916,821, Staff recommends \$1,679,018, a decrease of \$237,803.

Tubac Water

The Company proposes for Tubac Water district, a rate base of \$1,607,775; Staff recommends a rate base \$1,437,666, a decrease of \$170,110. The Company proposes depreciation/amortization expense of \$238,395, Staff recommends \$180,392, a decrease of \$58,003.

**MARY J. RIMBACK
EXECUTIVE SUMMARY
EPCOR WATER ARIZONA, INC.
DOCKET NO. WS-01303A-14-0010**

EPCOR Arizona Water, Inc. ("EWAZ" or "Company") is a certificated Arizona public service corporation that provides water and wastewater services in various communities throughout the state. This case includes the districts of Mohave Water, Mohave Wastewater, Paradise Valley Water, Sun City Water, and Tubac Water.

The Company filed an application for a permanent rate increase based upon a test year ending June 30, 2013. The Surrebuttal testimony of Ms. Mary J. Rimback herein is to present the Staff recommended rate base valuation and the depreciation and amortization expense for all five districts in the application.

The specific issues listed below are discussed in this Surrebuttal testimony.

Negative Plant Balances – Staff response to Company Rebuttal testimony.

Debit Accumulated Depreciation – Staff response to Company Rebuttal testimony.

Depreciation/Amortization Expense – Staff recommends the removal of fully depreciated plant from the calculation of depreciation expense. Staff agrees to increases for certain, amortization expenses proposed by the Company.

Allowance for Funds used During Construction ("AFUDC") – Staff response to Company Rebuttal testimony.

Construction Work In Progress ("CWIP") developer funded Contribution in Aid of Construction ("CIAC") – Staff agrees with the Company position based on the Company representations provided in the application.

Cash Working Capital – Staff response to Company rebuttal testimony.

Water Treatment Equipment-Media – Staff adjusts this to an operating expense rather than an item of rate base.

Mohave Water Retirements – Staff now includes retirements as noted in the Company response to RUCO data request DR 32.01.

Accumulated Deferred Income Taxes – Staff has been unable to analyze the effect of the Company's response to RUCO data request 30.1 indicating that the Company has recorded additional Accumulated Deferred Income Taxes ("ADIT") not included in the application.

Following is a summary of Company proposed and Staff recommended rate bases and depreciation/amortization expense.

Mohave Water

The Company proposes for Mohave Water District, a rate base of \$23,496,515; Staff recommends \$22,434,124, a decrease of \$1,062,391. The Company proposes depreciation/amortization expense of \$1,331,139; Staff recommends \$1,273,747, a decrease of \$57,392.

Mohave Wastewater

The Company proposes for Mohave Wastewater District, a rate base of \$5,305,083; Staff recommends \$4,863,141, a decrease of \$441,942. The Company proposes depreciation/amortization expense of \$257,946; Staff recommends \$253,779, a decrease of \$4,167.

Paradise Valley Water

The Company proposes for Paradise Valley Water District, a rate base of \$39,380,442; Staff recommends \$37,188,547, a decrease of \$2,191,894. The Company proposes depreciation/amortization expense of \$1,608,655; Staff recommends \$1,533,204, a decrease of \$75,451.

Sun City Water

The Company proposes for Sun City Water district, a rate base of \$26,409,286; Staff recommends \$25,639,023, a decrease of \$770,262. The Company proposes depreciation/amortization expense of \$1,916,821; Staff recommends \$1,714,309, a decrease of \$202,512.

Tubac Water

The Company proposes for Tubac Water district, a rate base of \$1,607,775; Staff recommends \$1,340,780, a decrease of \$266,966. The Company proposes depreciation/amortization expense of \$238,395; Staff recommends \$160,846, a decrease of \$77,549.

**PHAN TSAN
EXECUTIVE SUMMARY
EPCOR WATER ARIZONA, INC.
DOCKET NO. WS-01303A-14-0010**

The testimony of Phan Tsan presents Staff's recommendation for rate design for the four water and one wastewater districts. The impacts of the Company-proposed and Staff-recommended rate designs on the typical residential customer for each of the five districts are presented below.

Water Districts

Mohave Water District:

The Company's proposed rates would increase the typical 5/8-inch meter residential bill with median usage of 4,017 gallons from \$15.51 to \$22.73 for an increase of \$7.22 or 46.56 percent. Staff's recommended rates would increase the typical 5/8-inch meter residential bill with a median usage of 4,017 gallons from \$15.51 to \$18.60, for an increase of \$3.09 or 19.90 percent.

Paradise Valley Water District:

The Company's proposed rates would increase the typical 5/8-inch meter residential bill with median usage of 9,244 gallons from \$35.70 to \$38.74, for an increase of \$3.03 or 8.49 percent. Staff is recommending no change to current rates.

Sun City Water District:

The Company's proposed rates would increase the typical 5/8-inch meter residential bill with median usage of 5,423 gallons from \$14.93 to \$18.21, for an increase of \$3.28 or 21.99 percent. Staff's recommended rates would increase the typical 5/8-inch meter residential bill with a median usage of 5,423 gallons from \$14.93 to \$16.08, for an increase of \$1.15 or 7.68 percent.

Tubac Water District:

The Company's proposed rates would increase the typical 5/8-inch meter residential bill with median usage of 4,530 gallons from \$34.99 to \$74.68, for an increase of \$39.69 or 113.43 percent. Staff's recommended rates would increase the typical 5/8-inch meter residential bill with a median usage of 4,530 gallons from \$34.99 to \$47.35, for an increase of \$12.36 or 35.34 percent.

Wastewater Districts

Mohave Wastewater District

The Company's proposed rates would increase the monthly bill (per equivalent residential unit) for a residential customer under the flat monthly fee rate by \$25.45, or 45.00 percent, from \$56.55 to \$82.00. Staff's recommended rates would increase the monthly bill for a residential customer under the flat monthly fee rate by \$16.75, or 29.62 percent, from \$56.55 to \$73.30.

Staff recommends approval of its recommended rates and charges for all districts as shown on the attached schedules.

**BRITON BAXTER
EXECUTIVE SUMMARY
EPCOR WATER ARIZONA INC.
DOCKET NO. WS-01303A-14-0010**

The surrebuttal testimony of Staff witness Briton A. Baxter addresses the rate design and bill impact changes for the four water and one wastewater districts included in the current EPCOR Water Arizona Inc. ("EPCOR" or "Company") rate application. These changes are a result of Staff's updated recommendations as discussed in the surrebuttal testimony filed by Staff witnesses Mary J. Rimback and Christine L. Payne. This surrebuttal testimony also responds to the rebuttal testimony of Mr. Thomas J. Bourassa, witness for the Company.

Water Districts

Mohave Water District:

The Company's proposed rates would increase the typical 5/8-inch meter residential bill with median usage of 5,000 gallons from \$17.32 to \$25.19, for an increase of \$7.87 or 45.44 percent. Staff's recommended rates would increase the typical 5/8-inch meter residential bill with a median usage of 5,000 gallons from \$17.32 to \$20.97, for an increase of \$3.65 or 21.05 percent.

Paradise Valley Water District:

The Company's proposed rates would increase the typical 5/8-inch meter residential bill with median usage of 10,000 gallons from \$36.65 to \$39.76, for an increase of \$3.11 or 8.50 percent. Staff's recommended rates would result in no change for the typical 5/8-inch meter residential with a median usage of 10,000 gallons.

Sun City Water District:

The Company's proposed rates would increase the typical 5/8-inch meter residential bill with median usage of 6,000 gallons from \$15.72 to \$19.17, for an increase of \$3.45 or 21.98 percent. Staff's recommended rates would increase the typical 5/8-inch meter residential bill with a median usage of 6,000 gallons from \$15.72 to \$17.15, for an increase of \$1.43 or 9.52 percent.

Tubac Water District:

The Company's proposed rates would increase the typical 5/8-inch meter residential bill with median usage of 5,000 gallons from \$36.40 to \$77.89, for an increase of \$41.49 or 113.98 percent. Staff's recommended rates would increase the typical 5/8-inch meter residential bill with a median usage of 5,000 gallons from \$36.40 to \$52.55, for an increase of \$16.15 or 44.35 percent.

Wastewater District

Mohave Wastewater District

The Company's proposed rates would increase the monthly bill (per equivalent residential unit) for a residential customer under the flat monthly fee rate by \$25.05, or 44.30 percent, from

\$56.55 to \$81.60. Staff's recommended rates would increase the monthly bill for a residential customer under the flat monthly fee rate by \$19.44, or 34.38 percent, from \$56.55 to \$75.99.

Staff recommends approval of its recommended rates and charges for all districts as shown on the attached schedules.